

COMMISSIONERS
BOB STUMP – Chairman
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

OPEN MEETING ITEM



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ARIZONA CORPORATION COMMISSION

DATE: MAY 27, 2014
DOCKET NO.: W-01982A-13-0311

ORIGINAL

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TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Yvette B. Kinsey. The recommendation has been filed in the form of an Order on:

WHITE HILLS WATER COMPANY, INC.
(RATES)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by 4:00 p.m. on or before:

JUNE 5, 2014

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Open Meeting to be held on:

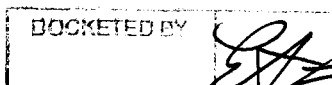
JUNE 10, 2014 and JUNE 11, 2014

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602) 542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.

Arizona Corporation Commission

DOCKETED

MAY 27 2014



Jodi A. Jerich
JODI JERICH
EXECUTIVE DIRECTOR

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1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **COMMISSIONERS**

3 BOB STUMP - Chairman
4 GARY PIERCE
5 BRENDA BURNS
6 BOB BURNS
7 SUSAN BITTER SMITH

8 IN THE MATTER OF THE APPLICATION OF
9 WHITE HILLS WATER CO., INC. FOR
10 APPROVAL OF A RATE INCREASE.

DOCKET NO. W-01982A-13-0311

DECISION NO. _____

11 **ORDER**

12 Open Meeting
13 June 10 and 11, 2014
14 Phoenix, Arizona

15 **BY THE COMMISSION:**

16 * * * * *

17 Having considered the entire record herein and being fully advised in the premises, the
18 Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

19 **FINDINGS OF FACT**

20 **Procedural History**

21 1. On September 12, 2013, White Hills Water Company, Inc. ("White Hills" or
22 "Company") filed an application with the Arizona Corporation Commission ("Commission")
23 requesting a permanent increase in its water rates and charges, using a test year ("TY") ending
24 December 31, 2012. The application included an affidavit stating that notice of the application had
25 been sent via U.S. Mail to White Hills' customers on September 12, 2013.

26 2. Between September 17, 2013, and October 7, 2013, six letters in opposition to the rate
27 increase were filed in this docket.

28 3. On October 22, 2013, a petition signed by 38 White Hills customers was filed in this
docket in opposition to the Company's proposed rate increase.

4. On December 16, 2013, White Hills filed an amendment to its rate application,
requesting an increase of \$28,171, or 68.32 percent over test year ("TY") revenues of \$41,235, for

1 proposed operating revenues of \$69,406.

2 5. On February 7, 2014, the Commission's Utilities Division ("Staff") filed a Letter of
3 Sufficiency, stating that White Hills' rate application had met the sufficiency requirements of the
4 Arizona Administrative Code ("A.A.C.") and that White Hills had been classified as a Class E
5 utility.¹

6 6. On March 18, 2014, White Hills filed three proposed BMP tariffs.

7 7. On April 8, 2014, Staff filed a Staff Report, recommending approval of White Hills'
8 application using Staff's recommended rates and charges.

9 8. On April 9, 2014, Staff filed an amended Staff Report, continuing to recommend
10 approval of the Company's application and correcting typographical errors reported in its initial Staff
11 Report.

12 9. On April 22, 2014, by Procedural Order, White Hills was directed to file either a letter
13 attesting that the Company was in agreement with Staff's recommendations or comments discussing
14 any disagreements with the amended Staff Report. The Company was given until May 6, 2014, to
15 make its filing.

16 10. On April 30, 2014, White Hills filed a letter stating that the Company is in agreement
17 with Staff's recommendations.

18 **Background**

19 11. White Hills is an Arizona "C" corporation providing water utility services in a rural
20 area located in Mohave County, Arizona.

21 12. White Hills' water system serves an area located approximately 40 miles northwest of
22 Kingman, Arizona known as Golden Horseshoe Ranchos Subdivision. At the time of the application,
23 White Hills was serving 92 customers.

24 13. White Hills was granted a Certificate of Convenience and Necessity ("CC&N") in
25 Decision No. 38386 (February 21, 1966).²

26 _____
27 ¹ The Amended Staff Report states that White Hills is classified as a Class D utility; however, Staff states that for
timeclock rule purposes Staff has continued to treat the application as a Class E utility.

28 ² White Hills' CC&N was revoked in Decision No. 65649 (February 18, 2003) due to the Company's failure to file its
2001 Utility Annual Report. White Hills currently has a CC&N application pending before the Commission in Docket

14. The Company is currently operating on rates and charges that were established in Decision No. 54305 (February 1, 1985).

15. White Hills' rate application states that the Company requires additional revenues to cover repair costs associated with its aging plant and to cover emergency expenses.³ In addition, White Hills' application states that repair costs are higher because its service area is located in a remote desert area, resulting in costly travel fees.⁴ Further, White Hills states that it needs additional revenues to cover the cost of insurance on the plant; to pay salaries for employees; to make lease payments on land that has the Company's plant located on it; and to cover its rate case expenses.⁵

16. Staff has recommended approval of White Hills' application, using Staff's recommended rates and charges.

17. The rates and charges for the Company at present, as proposed in the rate application, and as recommended by Staff are as follows:

<u>MONTHLY USAGE CHARGES:</u>	<u>Current Rates</u>	<u>Company Proposed</u>	<u>Staff Recommended</u>
5/8" x 3/4" Meter	\$19.00	\$45.00	\$28.00
3/4" Meter	0.00	0.00	42.00
1" Meter	0.00	0.00	70.00
1 1/2" Meter	0.00	0.00	140.00
2" Meter	0.00	0.00	224.00
3" Meter	0.00	0.00	448.00
4" Meter	0.00	0.00	700.00
6" Meter	0.00	0.00	1,400.00
Gallons Included in Minimum	1,000	2,000	0
<u>COMMODITY CHARGES:</u> (Per 1,000 gallons)		<u>Company Proposed</u>	<u>Staff Recommended</u>
<u>5/8" x 3/4" and 3/4" Meter</u>			
Tier 1 0 to 3,000 gallons	\$10.50	\$12.00	\$10.50
Tier 2 3,001 to 10,000 gallons	10.50	15.00	12.50
Tier 3 over 10,000 gallons	10.50	18.00	14.50

No. W-01982A-14-0009. White Hills is now current on its Utility Annual Reports and is in good standing with the Commission's Corporation Division.

³ Original Application at 14.

⁴ *Id.*

⁵ *Id.* at 14-15.

1" Meter

Tier 1 up to 40,000 gallons	\$10.50	N/A	\$12.50
Tier 2 over 40,000 gallons	10.50	N/A	14.50

1 1/2" Meter

Tier 1 up to 120,000 gallons	\$10.50	N/A	\$12.50
Tier 2 over 120,000 gallons	10.50	N/A	14.50

2" Meter

Tier 1 up to 225,000 gallons	\$10.50	N/A	\$12.50
Tier 2 over 225,000 gallons	10.50	N/A	14.50

3" Meter

Tier 1 up to 500,000 gallons	\$10.50	N/A	\$12.50
Tier 2 over 500,000 gallons	10.50	N/A	14.50

4" Meter

Tier 1 up to 800,000 gallons	\$10.50	N/A	\$12.50
Tier 2 over 800,000 gallons	10.50	N/A	14.50

6" Meter

Tier 1 up to 1,500,000 gallons	\$10.50	N/A	\$12.50
Tier 2 over 1,500,000 gallons	10.50	N/A	14.50

SERVICE LINE AND METER INSTALLATION CHARGES:
(Refundable pursuant to A.A.C. R14-2-405)

<u>Meter Size</u>	<u>Company Proposed</u>				<u>Staff Recommended</u>		
	<u>Current Rates</u>	<u>Service Line Charge</u>	<u>Meter Charge</u>	<u>Total Charge</u>	<u>Service Line Charge</u>	<u>Meter Charge⁶</u>	<u>Total Charge⁷</u>
5/8 x 3/4"	\$100	\$1,200	\$350	\$1,550	\$565	\$158	\$723
3/4"	120	-	-	-	565	260	825
1"	160	-	-	-	629	321	950
1 1/2"	300	-	-	-	699	536	\$1,235
2" Turbine	400	\$1,200	\$1500	\$2,700	\$1,054	\$1,066	2,120
3" Turbine		-	-	-	At Cost	At Cost	At Cost
4" Turbine		-	-	-	At Cost	At Cost	At Cost
6" Turbine		-	-	-	At Cost	At Cost	At Cost

<u>SERVICE CHARGES:</u>	<u>Current Rates</u>	<u>Company Proposed</u>	<u>Staff Recommended</u>
Establishment	\$5.00	\$40.00	\$30.00
Establishment (After Hours)	\$25.00	N/T	N/T
Reconnection (Delinquent)	\$5.00	\$40.00	\$30.00
Meter Test	Actual Cost	Actual Cost	N/T

⁶ Meter charge includes meter box or vault.

⁷ At cost pricing would apply if installation request requires the use of heavy equipment such as a backhoe or involves crossing an improved road. At cost pricing would also apply for meter sizes larger than two inches.

1	Meter Test (If Correct)	N/T	\$25.00	\$30.00
	Deposit	*	*	*
2	Deposit Interest	N/T	*	*
	Re-Establishment (Within 12 Months)	****	**	**
3	NSF Check	\$10.00	\$25.00	\$25.00
	Deferred Payment (Per Month)	N/T	Per Rules	1.50%
4	Meter Re-Read (If Correct)	\$2.50	\$20.00	\$20.00
	Late Fee (Per Month)	N/T	Per Rules	1.50%
5	After Hours Service Charge	N/T	\$60.00	\$35.00
6	N/T = No Tariff			
7	Unmetered Customers:			
8	All usage, per gallon	\$0.0105	\$0.0200	\$0.0200
9	Standpipe, coin operated, per one quarter (\$0.25)	26 gals	12.5 gals	12.5 gals
10	Delivery Charge per Truck Load (500 gallons)	\$2.50	N/T	N/T
11	<u>Monthly Service Charge for Fire Sprinkler</u>			
	4" or Smaller	***	***	***
12	6"	***	***	***
	8"	***	***	***
13	10"	***	***	***
14	Larger than 10"	***	***	***
15	* Per Commission (Rule R14-2-403(B)).			
	** Number of months off system times the monthly minimum (R14-2-403(D)).			
16	*** 2.00% of monthly minimum for a comparable size meter connection, but no less than \$10.00			
	per month. The service charge for fire sprinklers is only applicable for service lines separate			
17	and distinct from the primary water service line.			
	**** Re-Establishment Number of months x minimum less value of water.			

Rate Base

18. White Hills' amended application states that the Company had TY revenues of \$41,235, expenses of \$48,742, resulting in an operating loss of \$7,507, which based on the Company reported original cost rate base ("OCRB") of \$48,181, results in no rate of return.

19. White Hills did not propose a fair value rate base ("FVRB") that differs from its OCRB of \$48,181.

20. Staff made net adjustments of \$95,467 to White Hills' proposed OCRB, resulting in a decrease in OCRB from \$48,181 to negative \$47,286.⁸ Staff's recommended adjustments to the Company's OCRB were in the areas of Plant-in-Service, Accumulated Depreciation, Advances in

⁸ Amended Staff Report at 5.

1 Aid of Construction ("AIAC"), Contributions in Aid of Construction ("CIAC"), and Working Capital
2 Allowance.

3 21. Staff's adjustments to Plant-in-Service reflect an overall increase of \$802, from
4 \$600,096 to \$600,898.⁹ Staff recommends eleven adjustments to OCRB that include: a decrease of
5 \$370 in Wells and Springs from \$62,490 to \$62,120, to remove amounts unsupported by an invoice;
6 an increase of \$3,999 in Pumping Equipment from \$69,112 to \$73,111, to correct a miscalculation; a
7 decrease of \$90,768 in Distribution Reservoirs and Standpipes from \$90,768 to \$0, to remove
8 amounts unsupported by invoices and correct a miscalculation; an increase of \$89,130 in Storage
9 Tanks, from \$0 to \$89,130, to reflect a reclassification; an increase of \$1,286 in Pressure Tanks from
10 \$0 to \$1,286, to reflect the Company's amended invoices; a decrease of \$1,263 in Transmission &
11 Distribution Mains from \$295,471 to \$294,208, to reflect adjustments to invoices and a
12 reclassification; a decrease of \$381 in Services from \$8,184 to \$7,803, to reflect a refund and remove
13 unsupported cost; a decrease of \$739 in Meters & Meter Installations from \$21,223 to \$20,484, to
14 remove amounts unsupported by invoices; a decrease of \$319 in Tools Shop & Garage Equipment
15 from \$819 to \$500, to remove amounts unsupported by invoices and reflect a reclassification; a
16 decrease of \$500 in Miscellaneous Equipment from \$4,612 to \$4,112, to remove amounts
17 unsupported by invoices; and an increase of \$727 in Other Tangible Plant from \$20,009 to \$20,736,
18 to reflect a reclassification.¹⁰

19 22. Staff adjustments to OCRB also increased accumulated depreciation by \$108,460,
20 from \$137,080 to \$245,540.¹¹ Staff states that it calculated the accumulated depreciation balance by
21 adding depreciation expense for the years 1999-2012, using a half-year convention for Additions and
22 Retirements, and subtracting accumulated depreciation for recorded plant retirements.¹²

23 23. Staff's adjustments to OCRB reduced AIAC from \$411,945 to \$0. Staff stated that it
24 reclassified the Company's reported AIAC to CIAC, and amortized the CIAC using a composite
25

26
27 ⁹ Staff Schedule MJR-2 pg. 2.

28 ¹⁰ *Id.*

¹¹ *Id.* at 3.

¹² Amended Staff Report at 5.

1 depreciation rate with a half- year convention.¹³ The reclassification of the Company's reported
2 AIAC to CIAC results in a negative rate base of \$47,286.¹⁴

3 24. Although Company did not propose a Working Capital Allowance ("WCA"), Staff
4 recommends a WCA of \$5,022 based on the formula method.

5 25. White Hills did not oppose Staff's recommendations/adjustments to OCRB.¹⁵ Staff's
6 adjustments to OCRB are just and reasonable and we find that White Hills' OCRB is negative
7 \$47,286. White Hills did not request a Reconstruction New Rate Base, and therefore White Hills' fair
8 value rate base is equivalent to its OCRB, or negative \$47,286.¹⁶

9 Operating Income

10 26. White Hills' amended application proposes total operating revenues of \$69,406, an
11 increase of \$28,171 or 68.32 percent over TY revenues of \$41,235, to provide an operating income of
12 \$20,664, resulting in a 42.89 percent rate of return on OCRB of \$48,181.

13 27. Staff recommends total operating revenues of \$63,882, an increase of \$22,647 or
14 54.92 percent over TY revenue of \$41,235, to provide an operating income of \$10,446, and no rate of
15 return on Staff's adjusted OCRB of negative \$47,286.

16 28. Staff recommends a net decrease of \$32 in TY operating expenses from \$48,742 to
17 \$48,710. Staff adjustments include:

- 18 a. Increasing Salaries and Wages by \$6,900 from \$0 to \$6,900, to reflect the
Company's request for an on-site part-time field employee.
- 19 b. Decreasing Repairs and Maintenance by \$835 from \$8,703 to \$7,868, to reflect
20 normalization of repairs and maintenance from 2009-2012 to \$7,067 and
amortization over 10 years for the cost of the installing an electric
transformer in the amount of \$8,014.¹⁷
- 21 c. Increasing Office Supplies & Expenses by \$683, from \$1,490 to \$2,173, to
22 reflect normalization of the expenses from 2009-2012.
- 23 d. Increasing Outside Services by \$1,082 from \$9,899 to \$10,981, to remove a
24 TY independent contractor cost of \$6,218; to remove Engineering
Services cost of \$1,700, which is capitalized on a going forward basis; to

25
26 ¹³ Staff Schedule MJR-2. pg. 1.

27 ¹⁴ *Id.*

¹⁵ Response to Procedural Order docketed April 30, 2014.

¹⁶ Amended Application at 6.

28 ¹⁷ Staff states that Unisource Electric required the Company to pay for installation although Unisource continues to own the transformer.

annualize the cost of \$600 for a Certified Operator; and to include a management contract in the amount of \$8,400.¹⁸

- e. Decreasing Water Testing by \$964 from \$2,522 to \$1,558, to reflect Staff's recommended amount.
- f. Increasing Rent and Utilities by \$1,200 from \$0 to \$1,200, to reflect costs associated with a home office for owners/managers.
- g. Increasing Transportation Expense by \$146 from \$754 to \$900 to normalize transportation expense at six trips costing \$150 each.
- h. Increasing Insurance Expense by \$1,578 from \$0 to \$1,578, to reflect purchase of insurance from the National Association of Water Companies.
- i. Increasing Rate Case Expense by \$1,500 from \$0 to \$1,500, to allow for \$4,500 in rate case expense normalized over three years.
- j. Decreasing Miscellaneous Expense by \$1,245 from \$4,835 to \$3,094 to normalize miscellaneous expense for the years 2009-2012.
- k. Decreasing Depreciation Expense by \$10,117 from \$13,211 to \$3,094, to reflect application of Staff's recommended depreciation rates to Staff's depreciable plant amounts.
- l. Increasing Taxes Other Than Income by \$1,207 from \$0 to \$1,207, to reflect 17.5 percent employer taxes for salaries and wages of \$6,900.
- m. Increasing Property Tax by \$707 to reflect Staff's application of the modified version of the Arizona Department of Revenue property tax methodology.
- n. Decreasing Income Taxes by \$1,874 to allow Staff calculated income taxes on the TY operating loss.

29. The Company requested recovery of lease payments in the amount of \$100 per month.¹⁹ The Company's application states that the addition of new plant was necessary and that the Company could not afford to purchase new property for the placement of the plant, so the owners of the Company allowed the plant to be built on their personal real property (identified as Lot 537).²⁰ The application included a copy of a lease agreement to be executed between the owners and the Company.

30. Staff recommends that the Commission disallow recovery of the lease payments in operating expenses and require the owners to transfer lot 537 to White Hills.

31. White Hills did not oppose Staff's adjustments to operating expenses and did not oppose Staff's recommendations.²¹

¹⁸ Staff Schedule MJR-3 at 2, Adjustment D, reflects that the management contract with the owners is at a rate of \$750 per month, which results in an annual rate of \$9,000. However, Staff's Schedule miscalculates the total amount at \$8,400.

¹⁹ Amendment to Application.

²⁰ *Id.*

²¹ Response to Procedural Order docketed April 30, 2014.

32. Staff's recommended adjustments to operating expenses are just and reasonable and should be adopted, although the amount for the management contract with the owners shall be corrected to reflect a rate of \$750 per month, for a total of \$9,000 annually. With those modifications, we find that for the TY White Hills had an operating loss of \$7,734 on operating revenues of \$41,235 and adjusted TY expenses of \$48,969.

Revenue Requirement

33. Staff recommends total revenues of \$64,492,²² which yields an operating income of \$10,446, resulting in a non-meaningful return on OCRB, a 16.20 percent operating margin and a cash flow of \$13,540.

34. White Hills did not oppose Staff's recommended revenue requirement.²³ We find that Staff's recommended revenue requirement, adjusted to include the corrected amount for the management contract, is just and reasonable and should be adopted. Therefore, we find that White Hills has a revenue requirement of \$64,492.

Rate Design

35. Staff agrees with White Hills' proposed inverted three-tier commodity rate structure, for its 5/8" x 3/4-inch and 3/4-inch meter customers, with break over points at 3,000 gallons, 10,000 gallons, and over 10,000 gallons.²⁴ Staff also agrees with the Company's proposed inverted two-tier commodity rate structure for customers using 1-inch through 6-inch meters.²⁵

36. Staff's recommended rates would increase the typical 5/8 x 3/4-inch residential bill, with a median usage of 978 gallons from \$19 to \$38.27, for an increase of \$19.27 or 101.4 percent.²⁶

37. Staff also recommends increases to White Hills' Establishment Charge from \$5 to 30; increase in Reconnection (Delinquent) from \$5 to \$30; increase Meter Test (if correct) from \$0 to \$30; increase NSF Check from \$10 to \$25; increase Meter Re-Read (if correct) from \$2.50 to \$20; and increase After Hours Service Charge from \$0 to \$35.²⁷

²² Based on the modifications to operating expense described herein.

²³ Response to Procedural Order docketed April 30, 2014.

²⁴ Staff Schedule MJR-4.

²⁵ *Id.*

²⁶ Staff Schedule 5.

²⁷ Staff Schedule MJR-4 at 2.

1 38. Staff also recommended an increase in the Company's rates for Standpipe (coin
2 operated) usage, from \$ 0.0105 for 26 gallons to \$0.0200 for 12 ½ gallons, consistent with the
3 Company's proposal.²⁸

4 39. The Company has accepted Staff's recommended Service Line and Meter Installation
5 and Standpipe Charges.

6 40. We find that Staff's recommended rates and charges are just and reasonable, and we
7 will adopt them.

8 41. In addition, because an allowance for the property tax expense of White Hills is
9 included in the Company's rates and will be collected from its customers, the Commission seeks
10 assurances from the Company that any taxes collected from ratepayers have been remitted to the
11 appropriate taxing authority. It has come to the Commission's attention that a number of water
12 companies have been unwilling or unable to fulfill their obligation to pay the taxes that were
13 collected from ratepayers, some for as many as twenty years. It is reasonable, therefore, that as a
14 preventative measure White Hills should annually file, as part of its annual report, an affidavit with
15 the Utilities Division attesting that the Company is current in paying its property taxes in Arizona.

16 **Water System/Compliance**

17 42. According to Staff, White Hills water system consists of two well sites identified as
18 Public Water System ("PWS") Nos. 08-039 and 08-149. The Company's well site identified as PWS
19 No. 08-039 includes locations known as the Jan's Well and Sweet Well. The Jan's Well location
20 consists of Jan's Well; two 30,000 gallon storage tanks, with a total capacity of 60,000 gallons; two
21 2-horsepower booster pumps; three 120-gallon bladder/pressure tanks; a standpipe system; and a
22 distribution system serving 48 metered customers.²⁹ The Sweet Well location consists of the Sweet
23 Well and one 15,000 gallon storage tank. According to Staff, this well site is currently out of
24 service.³⁰

25 43. Both of the above well sites are located in Golden Horseshoe Ranchos Unit 4. Service
26 is provided to customers in Units 3, 4, 5, and 6 through distribution facilities that have been installed.

27 ²⁸ Staff Schedule MJR-4 at 2.

28 ²⁹ Amended Staff Report, Engineering Report at 1.

³⁰ *Id* at 2.

1 44. The well site identified as PWS 08-149 includes the Unit I Well; one 20,000 gallon
2 storage tank, two 1.5-horsepower booster pumps; one 80-gallon bladder/pressure tank; a standpipe
3 system, and a distribution system serving 36 metered customers. The Unit I well is located in Golden
4 Horseshoe Ranchos Unit 1 and has a distribution facility that serves customers in Unit 1. According
5 to Staff, this system has been in operation since 1962.

6 45. The two wells in White Hills' PWS 08-039 produce a combined total of approximately
7 60 gallons per minute ("gpm").³¹ The Unit I well (PWS No. 08-149) produces approximately 25
8 gpm. Staff states that the average daily demand in the PWS No. 08-039 and the PWS No. 08-149
9 systems during the TY period were approximately 67 and 116 gallons per day ("gpd"), per
10 connection, respectively. Staff concludes that White Hills' water system has adequate production and
11 storage capacity to serve its current customers as well as reasonable growth.

12 46. Generally, Staff recommends that waters systems have a non-account water loss of no
13 greater than 10 percent. Staff was unable to calculate the Company's non-account water loss due to
14 missing information regarding the amount of water pumped by the Company's wells. Staff
15 recommends that White Hills monitor water use for both its water systems and report water losses,
16 with monthly figures, in its Utilities Annual Report to the Commission. Staff also recommends that
17 White Hills coordinate the reading of its well production meters and individual customer meters on a
18 monthly basis and report its monthly results in the Company's Utilities Annual Report to the
19 Commission on a going forward basis. Staff further recommends that, in the event the water loss
20 reported in any future Annual Report is greater than 10 percent, the Company shall prepare a report
21 containing a detailed analysis and plan to reduce water loss to less than 10 percent. If the Company
22 believes it is not cost effective to reduce the water loss to less than 10 percent, it should submit a
23 detailed cost-benefit analysis to support its opinion. Staff further recommends that in no case shall
24 the Company allow water loss to be greater than 15 percent. Staff recommends that the water loss
25 reduction report or the detailed analysis, whichever is submitted per this recommendation, shall be
26 docketed as a compliance item no later than April 30 of the year following the excessive water loss.

27
28 ³¹Amended Staff Report, Engineering Report at 8-9.

1 47. Based on a compliance report issued on October 13, 2013, the Arizona Department of
2 Environmental Quality ("ADEQ") determined that White Hills' water systems have no major
3 monitoring or reporting deficiencies and that ADEQ has determined that the Company's water
4 systems are currently delivering water that meets water quality standards required by 40 CFR 141 and
5 the A.A.C.³²

6 48. To come into compliance with ADEQ, White Hills was required to provide "as built"
7 drawings and documentation for its water system. White Hill paid Mohave Engineering Associates a
8 total of \$16,087 to produce these drawings and documentation. Staff concluded that the charges for
9 the engineering services were reasonable and appropriate.³³ Staff included the cost for the
10 engineering services in Staff's Plant Adjustments shown in Schedule MJR-2, and the cost is included
11 in Account 348 Other Tangible Plant.

12 49. The Commission's Utilities Division Compliance Section reports no delinquent
13 compliance issues for the Company.

14 50. The Commission's Consumer Services Section reported that White Hills had one
15 complaint regarding billing in 2011; zero complaints in 2012; and in 2013, one complaint regarding a
16 deposit, 27 opinions opposed to the rate increase, and six opinions in support of the rate increase.³⁴

17 51. White Hills has approved Curtailment and Backflow Prevention tariffs on file with the
18 Commission.

19 52. White Hills' CC&N area is not located within an Arizona Department of Water
20 Resources ("ADWR") Active Management Area ("AMA"). ADWR has determined that White Hills
21 is in compliance with departmental requirements governing water providers and/or community water
22 systems.

23 53. Staff recommends that White Hills file with Docket Control, as a compliance item in
24 this docket, within 90 days of the effective date of this Decision, at least three Best Management
25 Practices ("BMPs") in the form of tariffs that substantially conform to the templates created by Staff,
26

27 ³² Amended Staff Report, Engineering Report at 13.

28 ³³ Staff Schedule MJR-2 at 2.

³⁴ Amended Staff Report at 4.

1 for the Commission's review and consideration.³⁵ Further, Staff recommends that White Hills be
2 permitted to choose, no more than two BMPs from the Public Awareness/Public Relations or
3 Education and Training categories and be permitted to request recovery of actual costs associated
4 with the implementation of the BMPs in its next general rate application.

5 54. White Hills filed three proposed BMPs that include the Public Education Program; 2.3
6 (New Homeowner Landscape Information Tariff; and 5.2 (Water System Tampering Tariff).

7 55. Although White Hills did not oppose Staff's recommendation to implement BMP
8 tariffs, we find that it is appropriate not to require White Hills to file the BMP tariffs and that our
9 finding is consistent with other Commission Decisions.³⁶

10 56. White Hills did not provide a Certificate of Compliance/ Letter of Good Standing from
11 the Arizona Department of Revenue ("ADOR"), showing that it was current on its property taxes in
12 Arizona. Staff recommends that any rates and charges approved by the Commission not take effect
13 until the Company files its Letter of Good Standing from ADOR.

14 57. We find Staff's because an allowance for the property tax expense of White Hills is
15 included in the Company's rates and will be collected from its customers the Commission seeks
16 assurances from the Company that any taxes collected from ratepayers have been remitted to the
17 appropriate taxing authority. It has come to the Commission's attention that a number of water
18 companies have been unwilling or unable to fulfill their obligation to pay the taxes that were
19 collected from ratepayers, some for as many as twenty years. It is reasonable, therefore, that as a
20 preventative measure White Hills should annually file, as part of its annual report, an affidavit with
21 the Utilities Division attesting that the Company is current in paying its property taxes in Arizona.

22 58. Staff recommendations, with the modifications made herein, are just and reasonable
23 and should be adopted.

24 CONCLUSIONS OF LAW

25 1. White Hills is a public service corporation within the meaning of Article XV of the
26 Arizona Constitution and A.R.S. §§ 40-250 and 40-251.

27 ³⁵ Located on the Commission's website at (<http://www.azcc.gov/Divisions/Utilities/forms.asp>).

28 ³⁶ See Decision No. 74446 (April 18, 2014) and Decision No. 74391 (March 19, 2014).

2. The Commission has jurisdiction over White Hills and the subject matter of the rate application.

3. Notice of the rate application was given in accordance with the law.

4. The rates and charges and terms and conditions of service authorized herein are just and reasonable and in the public interest and should be approved without a hearing.

5. Staff recommendations, as modified herein, are just and reasonable and should be adopted.

ORDER

IT IS THEREFORE ORDERED that White Hills Water Company, Inc. shall file by July 1, 2014, revised rate schedules setting forth the following rates and charges:

MONTHLY USAGE CHARGES:

5/8" x 3/4" Meter	\$28.25
3/4" Meter	42.50
1" Meter	70.50
1 1/2" Meter	141.25
2" Meter	226.00
3" Meter	452.00
4" Meter	706.25
6" Meter	1,412.50

COMMODITY CHARGES:

(Per 1,000 gallons)

5/8" x 3/4" and 3/4" Meter

Tier 1 0 to 3,000 gallons	\$10.75
Tier 2 3,001 to 10,000 gallons	12.50
Tier 3 over 10,000 gallons	14.50

1" Meter

Tier 1 up to 40,000 gallons	\$12.50
Tier 2 over 40,000 gallons	14.50

1 1/2" Meter

Tier 1 up to 120,000 gallons	\$12.50
Tier 2 over 120,000 gallons	14.50

2" Meter

Tier 1 up to 225,000 gallons	\$12.50
Tier 2 over 225,000 gallons	14.50

3" Meter

Tier 1 up to 500,000 gallons	\$12.50
Tier 2 over 500,000 gallons	14.50

4" Meter

Tier 1 up to 800,000 gallons	\$12.50
Tier 2 over 800,000 gallons	14.50

6" Meter

Tier 1 up to 1,500,000 gallons	\$12.50
Tier 2 over 1,500,000 gallons	14.50

SERVICE LINE AND METER INSTALLATION CHARGES:
(Refundable pursuant to A.A.C. R14-2-405)

<u>Meter Size</u>	<u>Service Line Charge</u>	<u>Meter Charge³⁷</u>	<u>Total Charge</u>
5/8 x 3/4"	\$565	\$158	\$723
3/4"	565	260	825
1"	629	321	950
1 1/2"	699	536	1,235
2" Turbine	1,054	1,066	2,120
3" Turbine	At Cost	At Cost	At Cost•
4" Turbine	At Cost	At Cost	At Cost•
6" Turbine	At Cost	At Cost	At Cost•

• At cost pricing will apply if installation request requires the use of heavy equipment such as a backhoe or involves crossing an improved road. At cost pricing will also apply for meter sizes larger than two inches.

SERVICE CHARGES:

Establishment	\$30.00
Establishment (After Hours)	N/T
Reconnection (Delinquent)	\$30.00
Meter Test	N/T
Meter Test (If Correct)	30.00
Deposit	*
Deposit Interest	*
Re-Establishment (Within 12 Months)	****
NSF Check	\$25.00
Deferred Payment (Per Month)	1.50%
Meter Re-Read (If Correct)	\$20.00
Late Fee (Per Month)	1.50%
After Hours Service Charge	\$35.00

N/T = No Tariff

³⁷ Meter charge includes meter box or vault.

1 Unmetered Customers:

2 All usage, per gallon \$0.0200

3 Standpipe, coin operated, per one quarter (\$0.25) 12.5 gals

4 Delivery Charge per Truck Load (500 gallons) N/T

5 Monthly Service Charge for Fire Sprinkler

6 4" or Smaller ***

7 6" ***

8 8" ***

9 10" ***

10 Larger than 10" ***

11 * Per Commission (Rule R14-2-403(B)).

12 ** Number of months off system times the monthly minimum (R14-2-403(D)).

13 *** 2.00% of monthly minimum for a comparable size meter connection, but no less than \$10.00
per month. The service charge for fire sprinklers is only applicable for service lines separate
and distinct from the primary water service line.

14 **** Re-Establishment Number of months x minimum less value of water.

15 IT IS FURTHER ORDERED that the revised schedule of rates and charges shall not become
16 effective for service rendered by White Hills Water Company, Inc., until the first day of the month
17 following the month in which White Hills Water Company, Inc., files with Docket Control, as a
18 compliance item in this docket, a Certificate of Compliance/Letter of Good Standing issued by the
19 Arizona Department of Revenue.

20 IT IS FURTHER ORDERED that White Hills Water Company, Inc., shall notify its
21 customers of the rates and charges approved in this Decision, and the condition for the rates and
22 charges to take effect, in a form acceptable to Staff, by means of an insert in its next regular
23 scheduled billing.

24 IT IS FURTHER ORDERED that White Hill Water Company, Inc., shall file, with Docket
25 Control, as a compliance item in this docket, within 10 days of the effective date of this Decision,
26 copies of the notice sent to its customers.

27 IT IS FURTHER ORDERED that in addition to collection of its regular rates and charges,
28 White Hills Water Company, Inc. may collect from its customers a proportionate share of any
privilege, sales, or use tax as provided for in A.A.C. R14-2-409(D)(5).

...

1 IT IS FURTHER ORDERED that White Hills Water Company, Inc., shall use the
2 depreciation rates in the schedule attached hereto as Attachment A.

3 IT IS FURTHER ORDERED that White Hills Water Company, Inc., shall file its next general
4 rate case no later than June 30, 2018, using a test year ending December 31, 2017.

5 IT IS FURTHER ORDERED that White Hills Water Company, Inc., shall ensure that
6 ownership of the land (identified herein as lot 537) currently owned by the two stockholders of the
7 Company and utilized by White Hills Water Company, Inc., is transferred to White Hills Water
8 Company within 30 days of the effective date of this Decision.

9 IT IS FURTHER ORDERED that White Hills Water Company, Inc., shall monitor both of its
10 water systems and record water losses on a monthly basis and report its results, with monthly figures,
11 in its Utilities Division Annual Report to the Commission on a going-forward basis.

12 IT IS FURTHER ORDERED that White Hills Water Company, Inc., shall coordinate the
13 reading of its well production meters and individual customer meters on a monthly basis and report
14 this data monthly in its Utilities Division Annual Reports on a going-forward basis.

15 IT IS FURTHER ORDERED that in the event the water loss reported in any future Annual
16 Report is greater than 10 percent, White Hills Water Company, Inc. shall prepare and file with the
17 Commission's Docket Control, in this docket, a report containing a detailed analysis and plan to
18 reduce water loss to less than 10 percent, or a detailed cost-benefit analysis to support its opinion if it
19 determines that water loss cannot be reduced to the level in a cost-effective manner. In no case shall
20 the Company allow water loss to be greater than 15 percent. The water loss reduction report or the
21 detailed analysis, whichever is submitted, shall be docketed as a compliance item no later than April
22 30 of the year following the excessive water loss.

23 ...

24 ...

25 ...

26 ...

27 ...

28 ...

1 IT IS FURTHER ORDERED that White Hills Water Company, Inc., shall annually file as
2 part of its Utilities Annual Report, an affidavit attesting that it is current on paying its property taxes
3 in Arizona.

4 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

6
7
8 CHAIRMAN

COMMISSIONER

9
10 COMMISSIONER

COMMISSIONER

COMMISSIONER

11
12 IN WITNESS WHEREOF, I, JODI JERICH, Executive
13 Director of the Arizona Corporation Commission, have
14 hereunto set my hand and caused the official seal of the
Commission to be affixed at the Capitol, in the City of Phoenix,
this _____ day of _____ 2014.

15
16 JODI JERICH
17 EXECUTIVE DIRECTOR

18 DISSENT _____

19
20 DISSENT _____
21 YK:ru

1 SERVICE LIST FOR:

WHITE HILLS WATER COMPANY, INC.

2 DOCKET NO.:

W-01982A-13-0311

3
4 V. David Arthur
White Hills Water Company, Inc.
5 P.O. Box 30626
Mesa, AZ 85275

6 Janice Alward, Chief Counsel
7 Legal Division
ARIZONA CORPORATION COMMISSION
8 1200 W. Washington Street
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9 Steven M. Olea, Director
10 Utilities Division
ARIZONA CORPORATION COMMISSION
11 1200 W. Washington Street
Phoenix, Arizona 85007

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ATTACHMENT A

Table C. Depreciation Rate Table for Water Companies

Asset Category	Depreciable Asset	Average Service Life (Years)	Annual Depreciation Rate (%)
304	Structures & Improvements	30	3.33
305	Collecting & Impounding Reservoirs	40	2.50
306	Lake, River, Canal Intakes	40	2.50
307	Wells & Springs	30	3.33
308	Infiltration Galleries	15	6.67
309	Raw Water Supply Mains	50	2.00
310	Power Generation Equipment	20	5.00
311	Pumping Equipment	8	12.5
320	Water Treatment Equipment		
320.1	Water Treatment Plants	30	3.33
320.2	Solution Chemical Feeders	5	20.00
320.3	Point-of-Use Treatment Devices	10	10.00
330	Distribution Reservoirs & Standpipes		
330.1	Storage Tanks	45	2.22
330.2	Pressure Tanks	20	5.00
331	Transmission & Distribution Mains	50	2.00
333	Services	30	3.33
334	Meters	12	8.33
335	Hydrants	50	2.00
336	Backflow Prevention Devices	15	6.67
339	Other Plant & Misc Equipment	15	6.67
340	Office Furniture & Equipment	15	6.67
340.1	Computers & Software	5	20.00
341	Transportation Equipment	5	20.00
342	Stores Equipment	25	4.00
343	Tools, Shop & Garage Equipment	20	5.00
344	Laboratory Equipment	10	10.00
345	Power Operated Equipment	20	5.00
346	Communication Equipment	10	10.00
347	Miscellaneous Equipment	10	10.00
348	Other Tangible Plant	---	-----